



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

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WILLIAM T FUJIOKA  
Chief Executive Officer

**REVISED**

December 20, 2007

To: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**SACRAMENTO UPDATE**

**Assembly Passes Health Care Reform Bill**

**ABX1 1 (Núñez)**, which would enact the Health Care Security and Cost Reduction Act, passed the Assembly on December 17, 2007, by a partisan vote of 46 to 31, and is scheduled for hearing on January 16, 2008 in the Senate Health Committee. As anticipated, Assembly Republicans opposed the measure because it includes an employer fee, which they characterized as a "massive tax increase on California businesses."

Assembly Speaker Fabian Núñez presented ABX1 1 as the "best possible and most realistic plan" to overhaul California's broken health care system, indicating that the bill would provide health insurance to about 70 percent of California's uninsured population. While Senate President pro Tempore Don Perata still supports health care reform, he has suggested that the issue must be weighed against the projected \$14 billion State Budget deficit, which could impact existing state health programs. He intends to delay a vote in the Senate until after the Governor releases his FY 2008-09 proposed budget next month, and the Legislative Analyst's Office (LAO) has provided an independent fiscal analysis of ABX1 1 addressing expected revenues and costs along with the risks and cost pressures on the State's General Fund over the longer term. It is likely that this analysis will not be available until mid to late January.

In an Appropriations Committee hearing held earlier in the day, SEIU supported the bill stating that it would cover 4 million of the 5 million uninsured Californians, and that the bill has important cost containments and reforms for the insurance industry. Other supporters included the American Association of Retired Persons, Blue Shield, Kaiser and Health Net. Opponents included the California Chamber of Commerce, the California Nurses Association, and Blue Cross. Other labor organizations were opposed because they are concerned that employees may not be able to afford to purchase insurance.

A separate financing proposal, to be placed on the November 2008 ballot for voter approval, is still being negotiated and is not yet in print. Estimated revenues include: \$4.6 billion from additional Federal funding, \$2.1 billion from individuals, \$2.6 billion from an employer fee, \$1.5 billion from an increase in the tobacco tax, \$2.3 billion from a hospital tax, and \$1 billion from a county share of cost. County advocates have been assured that the ballot measure will not affect provisions of Proposition 1A or the Vehicle License Fee.

Major provisions of ABX1 1 include:

- Requires all Californians to obtain health insurance coverage by July 1, 2010.
- Requires employers to provide health insurance to their employees or pay a fee from 1 percent to 6.5 percent of their Social Security wages into a State-run purchasing pool depending on size of their business.
- Guarantees insurance coverage, regardless of age or medical conditions.
- Covers all children at or below 300 percent of the federal poverty level, regardless of their immigration status.
- Expands eligibility in the Healthy Families Program from 250 percent to 300 percent of the Federal Poverty Level.
- Requires insurers to spend at least 85 percent of premiums on health benefits.
- Creates a State-run purchasing pool to help Californians obtain insurance coverage.
- Subsidizes premiums for families earning up to 2½ times the federal poverty level.

- Provides tax credits to families earning up to four times the federal poverty level if their share of premiums for an average-priced policy exceeds 5.5 percent of their incomes.
- Requires: 1) single, childless adults under 100 percent of the federal poverty level to be enrolled exclusively into the Local Coverage Option (LCO) for four years; 2) services to be provided through a limited network of providers unless medically necessary services are not available through the network; 3) exclusivity to be eliminated after 3 years for failure to meet benchmarks included in an LCO program assessment tool developed by an independent third party, rather than terminating the LCO; and 4) auto-enrollment to the LCO in the fifth year.
- Excludes IHSS recipients from being deemed the employer for purposes of employer fees; triggers an increase in State participation in the cost of IHSS health benefits by \$0.25 annually over a three year period, reaching a maximum of \$0.75 if State General Fund revenues grow by 5 percent in each of these years; and allows a union to elect to provide health benefits for IHSS providers through a trust fund.

Our office, the Department of Health Services, and County Counsel are reviewing the bill and awaiting the ballot initiative language containing the financing elements, which we also will review. We will continue to work closely with the California State Association of Counties, California Association of Public Hospitals and labor representatives in pursuing the County's interests in health care reform.

WTF:GK  
MAL:MS:sv

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants